

**COMPARISON OF ADOPTED CITY TIF POLICY TO EDC RECOMMENDED POLICY**

**TO:** TIF Policy Review Ad Hoc Committee

**FROM:** Joe Gromacki (TIF Coordinator), Dan Rolfs, AICP (Community Development Project Manager)

**SUBJECT:** Comparison of Adopted City TIF Policy to EDC Recommended Policy

**DATE:** July 9, 2013

At the request of the TIF Policy Review Ad Hoc Committee, Committee Staff have generated a chart that compares the adopted City TIF Policy to the TIF policy recommended by the EDC.

<b>Adopted TIF Policy</b>	<b>EDC Recommended Policy</b>
	<p>Tax Increment Financing (TIF) is a governmental finance tool that the City of Madison uses to provide funds to construct public infrastructure, promote development opportunities and expand the future tax base. The City of Madison seeks to use TIF to enhance the built environment in concert with adopted plans and to strengthen the City’s economic foundation in an inclusive manner. The City seeks a policy that is both competitive and flexible.</p> <p>The September 19, 2012 Department of Planning &amp; Community &amp; Economic Development (DPCED) PowerPoint report highlights the impact of the City of Madison’s past TIF policies.</p>
	<p><b>TIF Team</b>                      The Director of the Department of Planning and Community and Economic Development (or the Director of Economic Development as the Department Director’s designee) shall convene a staff TIF Team as necessary. The staff TIF Team shall be comprised of representatives from the Department of Planning and Community and Economic Development (including the TIF Coordinator), the Finance Department, the City Attorney’s Office, and other staff as appropriate. For each project, the team shall collaborate to develop a TIF recommendation to the Mayor and the Common Council.</p>
	<p><b>Targeted Development Areas</b>                      The City recognizes the need to be proactive about strategically encouraging development in some areas. In particular, competing for</p>

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	<p>desirable employers that are seeking new space requires nimbleness and responsiveness. To make Madison competitive, the Department of Planning and Community and Economic Development shall propose a map, for adoption by the Common Council, of these Targeted Development Areas (TDAs) appropriate for commercial or industrial development. The Common Council and Joint Review Board can create a new TID regardless of whether or not the geographic area is covered by a TDA: however, projects located within an adopted TDA shall receive additional consideration for TID creation. The purpose of these TDAs is not to choose winners and losers, but help Madison projects be competitive with surrounding communities. The Department shall propose updates to the map as necessary.</p>
<p><b>Goal 1: Support Economic Development</b></p> <p>TIF Objectives:</p> <p>(1) <b><u>Job Creation in High-Need Areas.</u></b> Job creation in “high need” areas located within blighted area TIDs that demonstrate a <b>significant and substantial</b> combination of the following economic factors:</p> <ul style="list-style-type: none"> <li>i. Deteriorating or obsolete building stock</li> <li>ii. Stagnation or decline in property values</li> <li>iii. Commercial and/or industrial vacancy</li> <li>iv. Concentration of unemployment within an existing or proposed TID boundary that exceeds the national average unemployment rate</li> </ul> <p>(2) <b><u>Job Creation Through New Business Development.</u></b> New business development in high-need areas or industrial TIDs to create living wage jobs.</p> <p>(3) <b><u>Job Creation Through Attraction, Retention, Expansion of Existing Business.</u></b> Attraction, retention or expansion of existing business in high-need areas or industrial TIDs that create and retain jobs with a preference for businesses that are located near existing housing or planned housing developments.</p> <p>(4) <b><u>Mixed-Use or Industrial Projects Linked to Workforce Housing</u></b>—Whenever feasible, consider projects within mixed-use TIDs that combine the creation of living wage jobs with the provision of workforce housing. In order to be considered, a developer must demonstrate a direct connection between the jobs created and the housing being developed.</p>	<p>Madison’s goals for the use of TIF include:</p> <ol style="list-style-type: none"> <li>1. Growing the property tax base</li> <li>2. Fostering the creation and retention of family-supporting jobs and jobs that offer career ladders toward family-supporting jobs</li> <li>3. Encouraging adaptive re-use of obsolete or deteriorating property</li> <li>4. Encouraging urban in-fill projects that increase (or decrease where appropriate) density consistent with the City comprehensive plan</li> <li>5. Assisting in the revitalization of historic or architecturally significant or deteriorated buildings</li> <li>6. Creating a range of housing options and specifically encouraging the development of workforce and affordable housing</li> <li>7. Enhancing transportation options by making it easier to walk, bike, use mass-transit, or employ other shared transit options</li> <li>8. Promoting superior design, building materials, and sustainability features in the built environment</li> </ol>

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<p><u>Strategies to Support Economic Development:</u></p> <ol style="list-style-type: none"><li>(1) Improve the public infrastructure.</li><li>(2) Support development of industrial sites and business parks to attract new industries and provide suitable locations for expansion and relocation of existing industries.</li><li>(3) Upon demonstrating that “but for” TIF a project could not otherwise be built, provide financial assistance to new and existing businesses whose projects create living wage jobs</li><li>(4) Focus such financial assistance to businesses that create such jobs in the following categories or clusters:<ol style="list-style-type: none"><li>(a) Manufacturing</li><li>(b) Medical/Biotechnological</li><li>(c) Agricultural/Biotechnological</li><li>(d) Information Systems, Software Technology, Communications</li><li>(e) Financial and Insurance</li><li>(f) Those business or industry categories that are consistent with the Economic Development Plan</li></ol></li><li>(5) <b><u>Job Creation Guaranty for Industrial TID Projects.</u></b> While not required, the City will give priority to projects that provide a job creation guaranty. Financial assistance initially may be provided to employers that seek TIF financial assistance in order to expand or relocate in the City of Madison, resulting in job creation as identified in Goal 1, Strategy (3) and (4). Such financial assistance shall be in the form of an interest-bearing loan (“Loan”) provided to the Borrower contingent upon the following job creation guaranty requirements:<ol style="list-style-type: none"><li>(a) Loan shall be payable by Borrower to the City of Madison at the City’s borrowing rate, interest only, for a period not to exceed three years from the date funds are disbursed. The term of said loan shall not exceed ten (10 years). Borrower shall guaranty that tax increment shall be sufficient to repay the Loan.</li><li>(b) Borrower shall demonstrate that at least 80% of the projected jobs in the Borrower’s TIF Application are created within three years of the date the funds are disbursed at which time 100% of the principal amount of the Loan shall then convert to a 0%loan (i.e. a “conventional TIF loan”), repaid with tax increments.</li><li>(c) Borrowers that demonstrate between 50% and 80% of the projected jobs within the three-year period shall convert a corresponding percentage of the loan to a 0% TIF loan repaid with tax increments and shall pay principal and interest, out-of-</li></ol></li></ol>	
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pocket (i.e. without tax increment) on the balance.

- (d) Borrowers that do not demonstrate at least 50% of projected jobs created within the three-year period shall continue to pay principal and interest, out-of-pocket, for the life of the loan.

### Goal 2: Support Neighborhood Revitalization, Including Downtown

TIF Objectives:

- (1) **High-Need TIDs.** Improved conditions in blighted area TIDs in “high need” areas that demonstrate a **significant and substantial** combination of the following examples of physical deterioration:
  - (a) Deteriorating or obsolete building stock
  - (b) Stagnation or decline in property values
  - (c) High density or overcrowding
  - (d) Existence of conditions which endanger life or property by fire or other causes
  - (e) Any combination of factors that are conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, or crime, and is detrimental to the public health, safety or welfare.
  - (f) Land upon which buildings or structures have been demolished and which because of obsolete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise substantially impairs or arrests the sound growth of the community.
- (2) **Historic Revitalization.** Assisting revitalization of historic or architecturally significant or deteriorated buildings.
- (3) **Adaptive Re-use.** Adaptive re-use of obsolete or deteriorating property into other appropriate uses.
- (4) **Higher Standards of Building Design, Materials.** The City encourages projects that include additional housing, commercial or industrial performance standards that incorporate materials, fixtures, designs and appliances which provide health-related benefits and energy conservation and enhance quality of life including accessibility; such standards may include: energy conservation equipment and appliances, designs and fixtures that provide for fully accessible dwelling units, and equipment that provides a high level of air quality.
- (5) **Urban In-fill.** Urban in-fill projects that either increase or decrease density consistent with the City comprehensive plan.

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- (6) **Affordable or Workforce Housing** (rental or owner-occupied)
- (a) **TIF Assistance for Affordable or Workforce Housing.** Affordable or workforce housing projects may apply for conventional TIF assistance provided they demonstrate “but for” to the City’s satisfaction.
  - (b) **10% TIF Set-Aside.** In each TIF district involving residential use created after October 1, 1999, at least 10% of the anticipated district-wide increment shall be reserved to assist in the development of affordable or workforce housing within the TIF District under program parameters and guidelines adopted by the Common Council. In cases where the gap is greater than 50% of the present value of tax increments generated by the project (“i.e. the 50% Rule”), the City may provide funds from the set-aside to fund the gap.
  - (c) **Dane County Median Income.** The affordable housing units shall be made available to income certified households at or below 80% of the Dane County median income, adjusted for family size for rental housing and 100% of Dane County median income for owner-occupied housing. By adopting this income standard, it is the intent of the Common Council to encourage the development of mixed-income affordable housing, which should include housing units at low and very low-income levels.

### Strategies to Support Neighborhood Revitalization:

- (1) Improve the public infrastructure.
- (2) Upon demonstrating the “but for”, provide TIF assistance to private development projects that:
  - (a) Provide a variety of housing choices, through renovation and rehabilitation of existing buildings and higher-density new construction in selected areas to increase the number and diversity of downtown residents.
  - (b) Stimulate the rehabilitation or removal of deteriorated or dilapidated buildings and the creation of mixed-use in-fill redevelopment.
  - (c) Provide the full range of basic neighborhood goods and services
  - (d) When feasible, provide assistance to businesses that create a significant number of living wage jobs. TIF Loan policies in Section 4, paragraphs (1) through (8), (10) through (13) and (16) and the job creation guaranty in Goal 2: (3), (4) and (5) shall apply.

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<ul style="list-style-type: none"> <li>(e) Provide transportation linkages and other urban amenities.</li> <li>(f) Increase the supply and variety of high-quality, home ownership opportunities.</li> <li>(g) Increase (or decrease, when appropriate), residential densities at selected locations as identified in the adopted City of Madison comprehensive plan.</li> <li>(h) Encourage the development of higher concentrations and mixes of commercial, retail, business and professional office uses, with parking and Transportation Demand Management (TDM), within mixed-use projects.</li> </ul>	
<p><b>SECTION 2: INELIGIBLE DEVELOPMENT</b></p> <p><b>2.1 Luxury Housing or 100% Market Rate Housing</b>, unless it complies with Section 1, Goal 2 (6) “Affordable or Workforce Housing”.</p> <p><b>2.2 Speculative Office Development</b>—Defined as projects that have not secured anchor tenants.</p> <p><b>2.3 Tenant-Shifting Office Development</b>—Office development that consists solely of moving a downtown office or business to another downtown location for purposes other than to retain or substantially expand the business.</p> <p><b>2.4 Student Housing</b>—Student housing, defined as multi-unit residential structures, whether publicly or privately owned, that are leased whole or in part to students attending post-secondary educational institutions, shall not be funded with TIF.</p>	<p><b>INELIGIBLE DEVELOPMENT</b></p> <p><b>Luxury Housing</b> Luxury housing is ineligible for TIF assistance. Market rate housing projects will be evaluated on a case-by-case basis and may be considered for assistance to the degree they demonstrate a financial gap and promote the City’s TIF goals articulated above.</p> <p><b>Student Housing</b> Student housing, defined as multi-unit residential structures, whether publicly or privately owned, that are leased whole or in part to students attending post-secondary educational institutions, shall not be funded with TIF except if it has a significant affordable component.</p> <p><b>Speculative Office Development</b> Commercial projects will be expected to secure one or more anchor tenants consistent with commercial lending standards.</p> <p><b>Tenant-Shifting Office Development</b> The City may consider providing TIF to retain an employer within the City or to accommodate an employer’s expansion. The City will seek to avoid providing TIF to relocate an employer within the City.</p>
<p><b>3.1 TIF Application Process (See Figure 2a)</b></p>	
<p>(1) <b>Simultaneous Land Use, TIF Application.</b></p> <ul style="list-style-type: none"> <li>(a) Prior to or simultaneous with the initiation of the land use approval process, developers that seek TIF assistance must meet with Economic Development Division staff and other city staff as appropriate.</li> </ul>	<p><b>TIF PROCESS</b></p> <p>The City recognizes that some high-quality, desirable development projects cannot proceed without a public-private partnership that may involve TIF. The City actively invites developers to approach the City with these projects.</p>

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<p>(b) All development projects seeking TIF assistance must receive project land use approvals simultaneous to the review for TIF assistance. In the case where land use process is completed before the TIF process, the land use resolution will be referred by the Plan Commission until the TIF Application process is completed and the Board of Estimates recommends approval of a TIF resolution to the Common Council. Land use approval does not constitute or otherwise influence TIF approval.</p> <p>(c) Developers shall identify on the land use application that they are seeking TIF assistance.</p>	<p><i>(TIF POLICY COM. STAFF NOTE: In the EDC Policy, Land Use Approval and TIF Application / Approval are in separate processes.)</i></p>
<p>(2) <b>Capital Budget TIF Application Deadline.</b> Businesses or developers seeking TIF assistance to be funded in the current or next year's capital budget should first consult with the TIF Coordinator to determine if funds are available in the current year and then submit a TIF Application form prior to April 15 with a TIF Application fee of ½ of one percent of the amount of TIF requested. Inclusion for consideration in the capital budget cannot be guaranteed. The later that TIF approval occurs in the capital budget process (concluding in approximately October) the less likely that the project may be included in the capital budget. The City is not obligated to make a TIF assistance recommendation or conclude negotiations in the event that information has not been presented to its satisfaction or the proposed project lacks feasibility.</p>	<p><b>TIF and the Capital Budget</b>          To the extent that Economic Development Division staff is able to anticipate projects expected in the upcoming calendar year that require city funds, staff will request Capital Budget allocations for pipeline projects. Developers are encouraged to make staff aware of upcoming projects prior to key Capital Budget deadlines. Typically these deadlines are:          Agency Requests - mid-June          Executive Budget - early September</p> <p>The Mayor and Common Council may include an additional pool of TIF funding unallocated to specific Tax Increment Districts (TIDs). This pool may be allocated to specific TIDs on a majority vote based on a first-come, first-served basis.</p> <p>Developers should be aware that other City TIF funding not included in the Capital Budget will require an extra-majority vote to adopt a budget amendment.</p>
<p>(3) <b>TIF Application Without A TID (Figure 2b).</b> The City of Madison requires approximately five (5) months to create or amend a TID. TIF Law requires that all districts be either created or amended by September 30 of each year in order to be certified for that year. Developers seeking TIF assistance for development on a parcel or parcels that is not located in a TID boundary, and requires either the amendment or the creation of a TID as part of their request for TIF assistance shall apply for and receive <u>TIF and land use approvals by the Common Council no later than April 15.</u></p>	<p><b>TIF Application Without an Existing TID</b>          Projects located outside of an existing TID could receive TIF support through the creation of a new TID, or by amending the boundary of a nearby TID to bring the project into that TID. The City of Madison requires approximately five (5) months to create or amend a TID. TIF law requires that all districts be either created or amended by September 30 of each year in order to be certified for that year. Developers seeking TIF assistance for development on a parcel or parcels that is not located</p>

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	<p>in a TID boundary, and requires either amendment or creation of a TID as part of their request for TIF assistance should ideally apply for TIF and land use approvals by April 15. Applications for TIF after April 15 will be considered, but may bear additional risk for the developer.</p> <p><b>TIF Application Within an Existing TID</b>          As noted in Figure 1, application for TIF for a project within an existing TID only requires approval by the City’s Common Council, with referral through the Board of Estimates. Recognizing the need for a potential Capital Budget amendment as noted below, an application for TIF within an existing TID may be accepted and processed at any time. An application timeline for TIF within an existing TID varies on the complexity of the project. From the time of application, through staff underwriting, approval by the Common Council, and negotiation/execution of a TIF agreement, an applicant could expect a two (2) to three (3) month process. In certain situations, a project located within an existing TID may require an amendment to the TID project plan. In these cases, additional time may be required to secure necessary approvals from the Joint Review Board.</p>
<p>(4) <b>Application Fee.</b> Developers shall pay a TIF Application Fee in the amount of 1/2 of one percent of the amount requested, non-refundable, upon submission of the initial TIF Application or initial spreadsheet(s) representing a request for TIF assistance.</p>	<p><b>TIF Origination Fee</b>          Developers shall pay a TIF origination fee in the amount of one half of one percent of the amount of Tax Incremental Financing approved by the Common Council. Fee shall be paid in full prior to fund disbursement.</p>
<p>(5) <b>Term Sheet.</b> Prior to closed session consideration by the Board of Estimates, staff shall provide developer and the district alder with a term sheet indicating the loan terms, conditions and applicable ordinances required by the City of Madison for providing TIF assistance. Staff shall draft a funding resolution upon Board of Estimates closed session approval and receipt of a term sheet that incorporates the terms and conditions found therein.</p>	
<p>(6) <b>Board of Estimates Presentations: Staff &amp; Developer.</b> The staff finding is presented to the Board of Estimates in closed session. Prior to the closed session meeting, the TIF Team shall provide the developer and district alder with a written report of its recommendation including: 1) the amount of the TIF request 2) the amount of TIF (if any) recommended and 3) a general statement of comments or issues concerning the project and its conformance to TIF Objectives and Policy. Said report shall be made available to</p>	

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<p>the public, attached to the Board of Estimates agenda, as an electronic document. The Developer may comment on the staff analysis and recommendation at the open session of the meeting.</p>	
<p><b>3.2 Creation or Amendment of TIDs (Figure 2c)</b></p>	
<p>The City will consider creation or amendment of a TIF district according to the following guidelines:</p> <p>(1) <b><u>TIF Generators.</u></b> The proposed TIF district has economic “generators”, i.e., at least one private development project that generates increment to finance TIF district costs, including a sufficient amount of public infrastructure improvements. The economic generators project must have an incremental value at completion of at least \$3 million to cover the typical costs of establishing a TIF district.</p> <p>(2) <b><u>Twelve-Year Expenditure Period.</u></b> Although TIF Law allows blighted area and industrial TIDs to make expenditures for up to 22 and 15 years respectively, the City of Madison shall make TIF-eligible expenditures within newly-created TIDs for a period not to exceed twelve (12) years, except when staff recommendations based upon the fiscal performance of the TID indicating a need to extend the expenditure period within the parameters of TIF Law.</p>	
<p><b>4.1 TIF Loan Policies – All Development</b></p>	
<p>(1) <b><u>Land Cost Due Diligence, Excessive Land Costs</u></b>—The City may consider write-downs from the value of the current land use to the market value of the proposed use provided that Developers shall demonstrate proper due diligence in the purchase of land, including but not limited to studies of soil conditions, comparable land prices, environmental issues. Prior to purchase, developers seeking TIF shall provide the City with documented market evidence that the purchase price negotiated is within an acceptable range of values for the property’s current land use and condition. Developers shall conduct initial meetings with the district alder and planning staff concerning building height, land use and other issues and shall provide such findings to the City. Developers are encouraged to option land while such studies are performed. The City shall not assist write-downs for land purchases that greatly exceed the</p>	<p><b><u>Land Cost Due Diligence, Excessive Land Costs</u></b>—The City may consider write-downs from the value of the current land use to the market value of the proposed use provided that Developers shall demonstrate proper due diligence in the purchase of land, including but not limited to studies of soil conditions, comparable land prices, environmental issues. Prior to purchase, developers seeking TIF shall provide the City with documented market evidence that the purchase price negotiated is within an acceptable range of values for the property’s current land use and condition. Developers shall conduct initial meetings with the district alder and planning staff concerning zoning, land use and other regulatory issues and shall provide such findings to the City. The City shall not assist write-downs for land</p>

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<p>assessed value of the current land use(s), as determined by the City. The City of Madison is not obligated to provide TIF assistance for land costs, whether purchased or optioned. Developer shall provide all such studies or reports to the City at the time of application.</p>	<p>purchases that greatly exceed the assessed value of the current land use(s), as determined by the City. The City of Madison is not obligated to provide TIF assistance for land costs, whether purchased or optioned. Developer shall provide all such studies or reports to the City at the time of application.</p>
<p>(2) <b>Environmental Remediation</b>—The City may consider the cost to remediate environmentally contaminated property when it exceeds the reasonable cost experienced on typical redevelopment projects. However, the City shall not provide TIF write-downs that eliminate a responsible party’s obligation to remediate contaminated property.</p>	<p><b>Environmental Remediation</b> The City may consider the cost to remediate environmentally contaminated property when it exceeds the reasonable cost experienced on typical redevelopment projects. However, the City shall not provide TIF write-downs that eliminate a responsible party’s obligation to remediate contaminated property.</p>
<p>(3) <b>Assessable Infrastructure Costs.</b> TIF may not be used to pay for public infrastructure expenditures that are paid for by special assessments or other City charges. Non-assessable public infrastructure expenditures may be funded with TIF.</p>	<p><b>Assessable Infrastructure Costs</b> Currently in the City of Madison, TIF may not be used to pay for public infrastructure expenditures that are paid for by special assessments or other City charges. Non-assessable public infrastructure expenditures may be funded with TIF.</p>
<p>(4) <b>Operating Costs,</b> including, but not limited to, lease-up reserves, working capital are not eligible TIF expenses.</p>	<p><b>Operating Costs</b> Operating costs including, but not limited to, lease-up reserves, working capital are not eligible TIF expenses.</p>
<p>(5) <b>City Fees.</b> Parks dedication, sewer, water assessments, etc. are not TIF-eligible.</p>	<p><b>City Fees</b> Parks dedication, sewer, water assessments, etc. are not TIF-eligible.</p>
<p>(6) <b>“But for” Standard.</b> Each project must demonstrate sufficient need for the City’s financial assistance, so that without that assistance, the proposed project would not occur. Every other financial alternative is to be exhausted prior to the use of TIF, including equity participation, other federal and state funds, bonds, tax credits, loans, etc. TIF assistance will be utilized as gap financing. Each project must demonstrate probability of economic success.</p>	<p><b>TIF LOAN UNDERWRITING</b> It is the policy of the City to support high quality development consistent with adopted plans while acting as a careful steward of public resources. While providing prudent TIF awards, the City will partner with TIF applicants where appropriate to promote the eight goals outlined earlier in this document.</p> <p><b>Definitions</b> The follow definitions are used in this section:</p> <ul style="list-style-type: none"> <li>• Real Estate Project: The construction, rehabilitation, or expansion of a structure that creates property tax increment or Payments in Lieu of Taxes- (“PILOT”)</li> <li>• Affordable Housing Project: A residential real estate project offering below market rents based on income for an extended period of time</li> <li>• Employment-Oriented Project: A commercial or mixed-use</li> </ul>

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	<p>Real Estate Project led by or anchored by a non-retail employer that meets the Workforce Development Standards described below</p> <p><b>Workforce Development Standards</b> The City of Madison is focused on fostering the creation and retention of family supporting jobs and/or jobs that offer career ladders toward family supporting jobs within the following primary industry sectors:</p> <ul style="list-style-type: none"><li>• Manufacturing</li><li>• Medical/Biotechnology</li><li>• Agriculture/Biotechnology</li><li>• Digital Technology</li><li>• Finance and Insurance</li><li>• Alternative Energy, Water, and Sustainability</li><li>• Other sectors consistent with the Economic Development Plan</li></ul> <p><b>“But For” Standard</b> Each project must demonstrate sufficient need for the City’s financial assistance, such that without that assistance, the proposed project would not be expected to occur in the City of Madison. The economics of the project itself will be evaluated and the balance sheet or wealth of an applicant shall not be grounds for rejecting an application. Each project must demonstrate probability of economic success. The following guidelines will be used for evaluating the “but for” standard:</p> <ul style="list-style-type: none"><li>• For Real Estate Projects: Projects will be deemed to meet the “but for” standard when a gap between sources and uses of capital exists.</li><li>• For Affordable Housing Projects: Projects will be deemed to meet the “but for” standard when a gap between sources and uses of capital exists or when TIF assistance is likely to affect a project’s ability to attract capital to Madison from another public or nonprofit source.</li><li>• For Employment-Oriented Projects: Projects will be deemed to meet the “but for” standard when a gap between sources and uses of capital exists or when “competitive factors” exist that reasonably lead to the conclusion that but for the provision of TIF assistance, a</li></ul>
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	<p>project is not likely to occur within the City of Madison. Competitive factors include situations where one or more of the following occur:</p> <ul style="list-style-type: none"><li>• The employer is conducting a site search for a new facility or expansion that includes sites outside of the City of Madison</li><li>• The employer has received or is soliciting an incentive offer(s) from other governments or economic development entities</li><li>• A Madison-based employer is competing for capital investment within their parent organization or investor group</li><li>• The employer is evaluating a capital investment (sunk capital) that is likely to assure the retention of that employer for many years</li></ul> <p><b>Amount of TIF Assistance</b> After underwriting each project, staff will make a recommendation on the amount of TIF assistance to be provided based on the following factors (see Appendix A for additional detail):</p> <ul style="list-style-type: none"><li>• The type of the project</li><li>• The financial gap exhibited in the TIF application</li><li>• The projected increment created by the project</li><li>• The financial health and the age of the TID</li><li>• An evaluation of relevant competitive factors</li><li>• Location with a Targeted Development Area</li><li>• Other increment demands for public infrastructure and other projected project plan costs</li><li>• Likelihood of catalyzing additional development within the TID</li><li>• Extraordinary strategic or civic purposes met through the project</li><li>• The current condition of the economy and local real estate market</li></ul> <p><b>Type of Project</b> TIF loans to affordable housing projects will tend to be calibrated to attract affordable housing resources and reflect the financial health of the TID. TIF loans to employment-oriented projects will tend to be based on the assessment of competitive factors, the projected increment the project generates, and the financial health of the TID.</p>
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	<p><b>Financial Gap</b> In general, TIF assistance should be provided as gap financing to make projects feasible. In the case of affordable housing projects, employment-oriented projects, and extraordinary circumstances, other standards may be utilized.</p> <p><b>Competitive Factors</b> Madison will use TIF prudently to promote workforce development and to attract, and retain employers. In addition to evaluating the competitive factors present, staff will pay careful attention to the projected increment, financial health, and age of the TID.</p> <p><b>Other Increment Demands</b> The City recognizes that some TIDs will focus on infrastructure, some on development, and some on a combination of the two. TIF recommendations for development projects should reflect the project plan, reserving increment according to need rather than an arbitrary standard.</p> <p><b>Catalyzing Additional Development</b> The City recognizes that pioneering projects in blighted areas and areas surrounded by infill redevelopment candidate sites are riskier than other projects and may warrant more aggressive TIF assistance.</p> <p><b>Strategic or Civic Purpose</b> Projects that serve a strategic need or an important civic purpose may warrant more aggressive TIF assistance. Examples of important strategic or civic purposes might include:</p> <ul style="list-style-type: none"><li>• Capturing or retaining a critical major employer</li><li>• Creating a highly visible project conveying a distinct brand advantage to Madison</li><li>• Public-private partnership incorporating or complementing a significant public facility</li></ul> <p><b>Current Economic Conditions</b> The City's TIF Team recommendations should be somewhat counter-</p>
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	<p>cyclical, competing more aggressively for projects when the job market or the corresponding segment of the real estate market is depressed.</p> <p>For Affordable Housing Projects: TIF assistance may be based on matching requirements of other affordable housing programs provided the TID’s health or project’s value can support such an award.</p> <p>For Employment-Oriented Projects: TIF assistance may be based on the value created by the project, the age and financial health of the TID, and the best available information about the project’s economics and competitive factors.</p> <p>Note: While the City anticipates generally making TIF awards which reserve sufficient increment for public purposes such as infrastructure, higher amounts may be considered on a case-by-case basis.</p>
<p>(7) <b><u>Equity Greater, Equal to TIF.</u></b> TIF assistance shall not exceed the amount of equity provided by the Developer. Equity is defined as cash or un-leveraged value in land or prepaid costs attributable to the project. Donated Developer or Construction Management fees shall not be constituted as equity investment (See 3.2 Non-profit developers).</p>	<p><b>Equity Participation</b> TIF assistance shall not exceed the amount of equity provided by the Developer. Equity is defined as cash or un-leveraged value in land or prepaid costs attributable to the project. Donated Developer or Construction Management fees shall not be constituted as equity investment.</p>
<p>(8) <b><u>50% Rule.</u></b> No more than 50% of the net present value of the tax increment generated by a private development project shall be made available to that project as gap financing. The City may make exceptions to TIF Policy.</p>	
<p>(9) <b><u>No Rent or Sales Price Write-Downs.</u></b> TIF assistance will be limited to the amount necessary to make a project competitive with other similar projects in the Madison metropolitan market area. The intent is not to provide below-market sales prices or rent subsidies to assisted projects, except as applied to assist affordable housing.</p>	
<p>(10) <b><u>Self-Supporting Projects.</u></b>                  (a) Each for-profit project demonstrating a need for TIF assistance must generate sufficient tax increment to cover or repay both the TIF contribution to the project and a portion of the planned public infrastructure costs within the tax incremental district.                   (b) No increment from other private development projects within a tax increment district may be used to supplement another</p>	<p><b>Projected Increment</b> In general, projects should generate enough projected increment to support their own TIF loan and contribute to infrastructure and other public project plan costs. Projects using 100% or more of their projected increment will only be approved in extraordinary cases.</p> <p><b>Financial Health and Age</b></p>

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<p>project's inability to generate sufficient tax increment.</p>	<p>Staff will employ additional caution in making recommendations in TIDs that are distressed or at risk for becoming distressed. At the same time, TIF loans in older TIDs may use a higher share of increment than a comparable project in new or younger TIDs.</p>
<p>(11) <b>No Mortgage Guarantees.</b> The City will not provide mortgage guarantees.</p>	<p><b>No Mortgage Guarantees</b> The City will not provide mortgage guarantees.</p>
<p>(12) <b>Personal Guaranty.</b> The City will require a personal guaranty for TIF assistance or in the case of a non-profit developer other forms of guaranty may be substituted. (See Appendix B – 1. Non-Profit Developers)</p>	<p><b>Guaranty</b> The City will require a guaranty of increment, which may be a personal guaranty, sufficient to recover the City's debt service on City-financed TIF loans.</p>
<p>(13) <b>Real Estate Taxes.</b> All projects assisted with TIF shall pay real estate taxes.</p>	<p><b>Real Estate Taxes</b> All projects assisted with TIF shall pay real estate taxes or negotiate a PILOT acceptable to the City.</p>
<p>(14) <b>Private Development Projects Used by Government Units.</b> The City may provide TIF assistance to a private development project wherein a unit of County, State or U.S. Government leases space when the project addresses all of the following situations:</p> <ul style="list-style-type: none"> <li>(a) Satisfies all other underwriting policies for TIF assistance to private development projects.</li> <li>(b) Maintains or expands existing employment or reuses a blighted or vacant property.</li> <li>(c) Provides an anchor for an overall development plan that will include other commercial, office, housing or mixed uses.</li> <li>(d) Advances a development plan in an already established tax incremental district.</li> <li>(e) Private development projects assisted under this policy will be required to provide a full reimbursement of the City's financial assistance and expenses for the project in the event the project is removed from the tax roll.</li> <li>(f) Projects will be funded under this policy with sources other than general obligation debt to the maximum possible extent, in accordance with the general policy of the City's use of TIF</li> </ul>	
<p>(15) <b>Equity Participation Payment.</b> An equity participation payment shall be required for both commercial and/or residential rental and/or owner-occupied projects.</p> <ul style="list-style-type: none"> <li>(a) The rental equity participation formula, whether commercial or residential, shall be the percentage of TIF in the total project</li> </ul>	

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<p>financing multiplied by the gross sale proceeds or the assessed value of the project on a date certain, capped at the total amount of TIF invested in the project.</p> <p>(b) The owner-occupied formula, whether commercial or residential, shall be payable by Developer from any excess sales proceeds, defined as the net sales proceeds less actual TIF-eligible costs, less City fees identified in 5.4(4) and less a 12% return on investment (ROI) over a period not to exceed two (2) years from the date a construction permit is issued. Fifty percent (50%) of said excess sales proceeds shall be paid to the City, and fifty percent (50%) retained by the Developer. Actual TIF-eligible costs, City fees and ROI are subject to verification by an independent financial audit conducted by the City of Madison.</p>	
<p>(16) <b><u>Living, Prevailing Wage, Affirmative Action, Best Value Contracting.</u></b> The Developer shall abide by City ordinances regarding living wage, prevailing wage and affirmative action and best value contracting on the TIF assisted project.</p>	
<p>(17) <b><u>ADA Compliance.</u></b> All projects shall be in compliance with all applicable ADA requirements.</p>	
<p>(18) <b><u>Land Use or Contract Violations.</u></b> Agreements for TIF assistance shall provide for remedies in the event the applicant violates the land use approvals or other contractual arrangements.</p>	<p><b>Land Use or Contract Violations</b> Agreements for TIF assistance shall provide for remedies in the event the applicant violates the land use approvals or other contractual arrangements.</p>
<p>(19) <b><u>Changes or Exceptions to TIF Policy.</u></b> Any language in these Objectives and Policies pertaining to TIF Law is subject to change as TIF Law may be changed from time to time by the Wisconsin State Legislature. TIF Policy exceptions shall only be made in rare instances upon approval of the Common Council. In those cases, the resolution authorizing TIF funding should state a detailed, specific and significant public purpose explanation for making the exception.</p>	
<p><b><u>1. Annual TIF Strategy Review</u></b></p> <p>(1) The DPECD Director, Economic Development Director and TIF Coordinator shall be responsible for coordinating an annual TIF strategy review during the first quarter of each calendar year, prior to drafting the Economic Development Division And Engineering capital budgets.</p>	<p><b>Annual TIF Policy Review</b> The Department of Planning &amp; Economic &amp; Community Development shall update the data of the September 19, 2012 PowerPoint presentation on an annual basis to facilitate a policy evaluation. The Economic Development Committee shall hold a public hearing every February to solicit feedback on the City’s TIF Policy. Among the criteria for this review shall be relative use of TIF, comparison to</p>

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<p>(2) Format of the Review. The strategy review shall follow the following format:</p> <ul style="list-style-type: none"> <li>(a) Facilitate internal meeting of a staff team to generate report for discussion.</li> <li>(b) Introduce resolution with report, referred to the Board of Estimates (lead), Economic Development Commission and Housing Committee, Board of Public Works of findings, trends and strategies to be implemented for the following budget year.</li> <li>(c) Staff shall make a presentation of the Council’s adopted strategy to the TIF Joint Review Board. This presentation may accompany or include information of anticipated new TIDs to be created per TIF Policy 4.3 (6) or the Annual TIF Report, if available at that time.</li> </ul>	<p>regional communities, and developer feedback. In addition, the TIF Team shall annually review the adopted TIF Policy and propose modifications to reflect changes in market conditions, new experience, and new development trends. Based on the annual hearing and team review, the TIF Team in conjunction with the Economic Development Committee shall prepare a resolution for Common Council consideration that incorporates suggested changes.</p> <p><b>Underwriting Review</b>          In addition, the TIF Team shall periodically review the assumptions and methodology used in its analysis and make updates as needed. This review will assess the use of cash flow versus static modeling, the discount rate assumption relative to historic City borrowing costs, property value appreciation, rates of levy growth, and other variables.</p>
<p><b><u>2. Optional Vetting Process.</u></b></p> <p>In the event that the total requested funding for all qualified TIF Applications as of June 15 exceeds available City funding, or such applications concern projects that do not meet annual TIF goals or objectives, the Mayor at his/her discretion may authorize a “vetting” process before the Board of Estimates that shall evaluate and prioritize TIF requests according to established TIF objectives and criteria.</p>	
<p><b><u>3. Standards for TID Creation</u></b></p> <ul style="list-style-type: none"> <li>(1) <b>Infrastructure TIDs.</b> The City may create a TIF district around an economic generator for the sole purpose of financing public infrastructure costs or financing long-term affordable housing serving income-certified households at or below 80% of the Dane County median income, adjusted for family size.</li> <li>(2) <b>In-fill Development.</b> The proposed TIF district assists in-fill development or adaptive reuse or revitalization of older commercial corridors or underutilized or otherwise blighted parcels of land in older neighborhoods in the City.</li> <li>(3) <b>Consistency with Plans.</b> The proposed TIF district is consistent with adopted City plans.</li> </ul>	<p><b>TID Creation</b>          The City will generally consider creating or amending a TID when:</p> <ul style="list-style-type: none"> <li>a. The proposed TID has economic “generators,” i.e., at least one private development project that generates increment to finance TID costs. Economic generators typically should have an incremental value at completion of at least \$3 million to cover the typical costs of establishing a TID, or –</li> <li>b. The proposed TID is in a TDA and the Department of Planning and Community and Economic Development finds that near term development is likely, or –</li> <li>c. The City owns land in the proposed TID and is actively attempting to sell or develop the land</li> </ul> <p>Note: The previous language is not intended to prevent the City from</p>

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<p>(4) <b>Conformance to TIF Law.</b> The City will conform to the requirements established in the State Statutes governing the elimination of blight and creation and use of TIF districts (Wis. Stats. 66.1105) as follows:</p> <p>(a) <u>Blighted Area, Environmental or Industrial TID.</u> The proposed TIF district assists blight elimination, environmental remediation, development of industrial parks.</p> <p>(b) <u>Blight Elimination.</u> Projects developed within the proposed TIF district would counteract or eliminate blight or neighborhood conditions that demonstrate a negative effect upon the public health, safety, morals or welfare.</p> <p>(c) <u>TID Value Cap.</u> The City will evaluate a proposed TIF district to ensure that it does not compromise the City's ability to create future, high-priority TIF districts. This evaluation will be based upon the proposed TIF district's impact upon equalized value limits established in the TIF Law (Wis. Stats. 66.1105 (4)) as follows:</p> <p style="padding-left: 40px;">"The equalized value of taxable property of the district plus all existing districts does not exceed 12% of the total equalized value of taxable property within the city."</p> <p>(5) <b>TID Presentation to Board of Estimates.</b> Staff shall submit a general plan concept sometime during the first quarter of the calendar year, when contemplating the development of a TID project plan. This would apply for TIDs that provided assistance to private development as well as TIDs created solely for infrastructure.</p> <p>(6) <b>Interested Party Registry.</b> The City of Madison shall create and maintain a TIF Interested Party Registry for each current and proposed TID, administered by the City Clerk, of interested parties that subscribe to the registry for that current or proposed TID. Said interested parties shall either reside, operate a business, or own property in the City of Madison but are not required to reside, operate a business or own property within the proposed district or its proposed amended boundary. Notification of registry members shall occur as follows:</p> <p style="padding-left: 40px;">The Clerk shall deliver via electronic or regular mail one of the following:</p>	<p>creating small TIDs that may be less costly to establish nor TIDs that may be strategically important to create in advance of an expected generator(s).</p> <p><b>Targeted Development Areas</b> Staff will be proactive about creating TIDs in TDAs when project pipelines, business intelligence, and economic conditions warrant this step.</p>
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<p>(a) <b>A notice of public hearing regarding the creation or amendment of a particular TID boundary or project plan.</b> The notice shall be distributed on or about the day of the first publication of the Class 2 notice. The TIF Coordinator shall notify the Clerk in advance.</p> <p>(b) <b>A notice of scheduled neighborhood meetings regarding specific implementation of a TID project plan objectives.</b> Appropriate DPD staff shall notify the Clerk in advance.</p> <p>(c) <b>A notice of public hearing concerning the Mayor’s Executive Budget.</b> The Mayor’s Office shall notify the Clerk in advance.</p> <p>(7) <b>Developer Mailings for Single-Purpose TID Creation or Amendment.</b> Upon demonstrating a “but for” condition satisfactory to the TIF Team, Board of Estimates and Common Council, developers requesting either the creation or amendment of a TID for the purpose of providing their proposed project with TIF assistance shall be required to pay for the cost of mailing the blight notification letters and other mailings to property owners within the TID that are deemed necessary and appropriate by the district alder or alders for the purpose of fully informing the public of the amendment or creation of a TID.</p> <p>(8) <b>Annual TIF Report.</b> The Comptroller shall oversee and submit an annual report to Council assisted by information provided by Engineering and Planning &amp; Development concerning each active TID: 1) the financial position of each TID; 2) progress of implementation of infrastructure improvements and 3) TIF assistance to private development.</p>	
<p><b>1. Non-Profit Developers</b></p> <p>(1) <b><u>Equity Requirements.</u></b> In lieu of developer(s) providing a minimum of 10% of the total estimated project cost as equity, the strength of the proposal may be judged by substitute criteria in cases where all of the following apply:</p> <p>(a) A nonprofit developer is the recipient of the TIF assistance.</p>	

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<p>(b) The TIF assistance is for the development of long-term affordable housing.</p> <p>(c) The recipient of the TIF assistance has provided additional security in a form satisfactory to the City.</p> <p>(2) <b>Guaranty.</b> In lieu of the City requiring a personal guarantee for TIF assistance, other forms of guaranty may be substituted in cases where all of the following apply:</p> <p>(a) A nonprofit developer is the recipient of the TIF assistance.</p> <p>(b) The TIF assistance is for the development of long-term affordable housing.</p> <p>(c) The recipient of the TIF assistance has provided additional security in a form satisfactory to the City.</p> <p>(3) <b>Repayment Through Increment.</b> Non-profit affordable housing projects must generate sufficient tax increment to cover or repay only the TIF contribution that is not provided by the Affordable Housing Set-Aside Fund.</p>	
<p><b>2. Accepted Methods of TIF Funding</b></p> <p>(1) <b>Accrued Tax Increment</b> In certain cases, a TID may have accrued excess increment over a course of time that may be sufficient to cover a TIF request. In this case, although no borrowing is required, the expenditure requires Council authorization.</p> <p>(2) <b>General Obligation Borrowing</b> In many cases, the City must include funds to be loaned to a development project in its annual general obligation borrowing. Such borrowing may be tax-exempt or taxable, according to laws governing municipal borrowing.</p> <p>(3) <b>Internal Borrowing</b> In a few cases, the City has been able to borrow funds from internal sources such as utility reserves, etc. to be repaid with interest by tax increments generated by the project. The Common Council must approve such borrowing for this purpose.</p>	<p><b>Method of TIF Funding</b></p> <p>The City reserves the right to determine the method of financing TIF loans that is in the best interests of the taxpayer. The City will consider using accrued tax increment, general obligation borrowing, internal borrowing, and developer-financed or pay-as-you-go financing. When utilizing pay-as-you-go financing, the City reserves the right to negotiate terms such as interest costs, time frames, maximum award amounts, disbursement schedules, and the percentage of increment available to developers. For projects using a substantial portion of increment or projects with multiple components or phases, the City may require pay-as-you-go financing at its discretion.</p> <p>Regardless of the financing method, all TIF expenditures will require Common Council approval.</p>

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<p>(4) <b><u>“Pay-As-You-Go” Financing Method.</u></b> So-called “Pay As You Go” or “developer-financed” TIF is a variant of traditional methods to finance TIF assistance wherein the municipality agrees to a “moral obligation” of tax increment to repay a portion of a developer’s bank loan. Under this method, the municipality agrees to incur higher interest and fee costs at longer terms in comparison to municipal borrowing. The municipality must budget the amount of debt service owed to the bank each year as part of its annual capital budget process and has the option, with penalties, to forego repayment in any year. Such borrowing may be considered on a case-by-case in comparison to the other methods indicated above. The City of Madison reserves the right to choose the option that is in the best interests of the taxpayer. In all cases, a project using the Pay As You Go method must comply with all other aspects of TIF Law and TIF Policy, including but not limited to the “but for” standard and the 50% rule.</p>	
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